Manitoba

Annual Report 2001

The Public Utilities Board

Includes 10% post-consumer waste

The Honourable Scott Smith
Minister of Consumer and Corporate Affairs
314 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Mr. Smith:

Pursuant to the provisions of Section 109(1) of The Public Utilities Board Act, I am pleased to submit to you, the Forty-Second Annual Report of the Board, pertaining to the year ending on the Thirty-first day of December . This Annual Report is submitted to you on behalf of my colleagues who served on the Board for the period covered by this report.

Sincerely,

G. D. Forrest
Chairman

102-04958/

FORTY-SECOND ANNUAL REPORT OF THE PUBLIC UTILITIES BOARD

FOR THE YEAR ENDING DECEMBER 31, 2001

CHAIRMAN'S REMARKS

The beginning of 2001 was very difficult for consumers in the natural gas industry not only in Manitoba but also abroad. With tightening natural gas supplies, consumers experienced prices at levels never seen and never forecasted. The timing of such increases was extremely difficult with the run-up occurring in the heating season. It was also difficult for Manitoba's newest utilities who were attempting to increase market share in a period when alternate energy prices were flat.

Utility rate setting methodologies, fixed price supply contracts and consumer budget plans were able to delay the impact of such market changes. While these costs are flow through costs, beyond the control of the utility, the Board nonetheless reviewed applications to ensure only necessary costs increases were paid by consumers.

The natural gas broker community presented consumers with a fixed price alternative. However, the softening of prices throughout 2001 caused concern for these customers who reacted negatively to "locked-in" prices in a falling market but who will not be able to assess the true value of their contracts until the expiration date of their contract.

While market prices will always be uncertain, customers will need to continue to be vigilant to ensure all market options are considered to address their individual needs.

Since the acquisition of Centra Gas Manitoba Inc. by Manitoba Hydro, customers have seen rate stability with respect to the non gas costs of the utility. This is good news. However, the operation of the utility will need close monitoring to ensure that the benefits of the acquisition continue to be enjoyed and passed through to the ratepayer.

Manitoba Hydro continues to benefit from export revenue to the mutual benefit of the Corporation and its ratepayers. Manitoba Hydro has been able to bring price stability for the fourth year in a row while the financial strength of the Crown Corporation has significantly improved. Manitoba Hydro continued with its capital investment in Manitoba addressing both its short and long term needs. Manitoba Hydro's operation will be reviewed by the Board in 2002.

In 2001 Manitoba motorists were receiving credits toward the cost of their vehicle insurance because of the favourable performance of Manitoba Public Insurance in previous years. Of particular note, the 2002/03 insurance year will again bring no increase in rates as a result of increased operating costs of MPI. However, some motorists will continue to experience rate increases due to changes in the rate structure of the Corporation and these were reviewed by the Board as to need. MPI's Rate Stabilization Reserve is now in a comfortable range and fair weather and good driving experience should bring further rate stabilization to Manitoba's motorists.

Water and sewer utilities in Manitoba continue to face increased pressures because of lessons learned from catastrophic events in other parts of Canada. Water quality is forefront in everyone's mind and as these needs continue to be addressed, rate implications may be seen.

The efforts of the past year could not have been accomplished without the support of my colleagues on the Board, the skills and knowledge of Board Staff and the multi-disciplinary team of Advisors. I would specifically like to thank former Board Member Ms. Britton for her contributions. I would also like to thank the Applicants, the Intervenors and the public for their continued co-operation.

QUARANTE-DEUXIÈME RAPPORT ANNUEL
DE LA RÉGIE DES SERVICES PUBLICS

POUR L'ANNÉE PRENANT FIN LE 31 DÉCEMBRE 2001

MESSAGE DU PRÉSIDENT

Le début de 2001 a été très difficile pour les consommateurs de l'industrie du gaz naturel, non seulement au Manitoba, mais ailleurs dans le monde. Avec la diminution des provisions de gaz naturel, les consommateurs ont connu des prix inattendus d'un niveau jamais vu. Ces augmentations se sont produites à un moment très difficile, étant donné la hausse de la demande causée par la période de chauffe. C'était également difficile pour les tout nouveaux services publics manitobains qui essayaient d'augmenter leur part du marché dans une période où les autres sources d'énergie se vendaient à un tarif fixe.

Les méthodes d'établissement des tarifs des services publics, les contrats d'approvisionnement à prix fixe et les plans budgétaires des consommateurs ont pu retarder les effets de ces changements du marché. Bien que ces frais soient des frais exigibles, sur lesquels le service public n'a pas de prise, la Régie a quand même examiné les frais exigés pour s'assurer que seulement les hausses de frais nécessaires étaient ajoutés aux comptes des consommateurs.

Les vendeurs de gaz naturel ont offert aux consommateurs de payer un tarif fixe. Cependant, la diminution des prix au cours de l'année 2001, vu la contraction du marché, a provoqué chez les consommateurs un mécontentement par rapport aux tarifs fixes. Mais ces consommateurs ne pourront pas évaluer la valeur exacte de leurs contrats avant la date d'échéance de ces derniers.

Étant donné que les prix du marché resteront toujours incertains, les consommateurs devront continuer d'être vigilants pour s'assurer que toutes les possibilités offertes par le marché sont examinées afin de répondre aux besoins de chacun.

Depuis l'acquisition de Centra Gas Manitoba Inc. par Manitoba Hydro, les consommateurs ont pu bénéficier d'une stabilité des tarifs des frais de service autres que les frais de gaz. Ce sont de bonnes nouvelles. Toutefois, l'exploitation de ce service devra être surveillée de près pour s'assurer que les contribuables continuent de profiter des retombées avantageuses de cette acquisition.

Manitoba Hydro continue de profiter des recettes d'exportation, ce qui profite autant à la Société elle-même qu'aux clients. Manitoba Hydro a pu maintenir une stabilité des prix pour une quatrième année d'affilée et la stabilité financière de la Société s'est également amélioré de façon importante. Manitoba Hydro continue de faire des investissements en capital au Manitoba afin de répondre à ses besoins à court et à long terme. Les activités de Manitoba Hydro seront examinées par la Régie en 2002.

En 2001, les automobilistes manitobains ont reçu des crédits sur le montant de leurs primes d'assurance auto étant donné le rendement favorable de la Société d'assurance publique du Manitoba au cours des années précédentes. Notamment, les tarifs d'assurance n'augmenteront pas pour l'année 2002-2003, malgré l'augmentation des frais de fonctionnement de cette Société. Cependant, quelques automobilistes verront leurs primes augmenter vu les modifications apportées à la structure tarifaire de la Société, ces dernières ayant été examinées par la Régie au besoin. La réserve de stabilisation des tarifs de la Société d'assurance publique du Manitoba se situe actuellement à un niveau confortable, et le temps favorable, de même que le fait d'avoir une bonne expérience de conduite, devraient continuer de contribuer à la stabilisation des tarifs des automobilistes du Manitoba.

Les services publics d'aqueduc et d'égouts du Manitoba continuent de subir des pressions dues aux événements catastrophiques qui se sont produits dans d'autres régions du Canada. La qualité de l'eau est une priorité pour tous, et comme nous continuons de nous attaquer à cette question, il pourrait y avoir des effets sur les tarifs.

Il m'aurait été impossible de déployer les efforts que j'ai fournis au cours de l'année précédente sans le soutien de mes collègues de la Régie, sans les compétences et les connaissances de son personnel et de l'équipe multidisciplinaire de conseillers. J'aimerais particulièrement remercier de sa collaboration un ancien membre de la Régie, M^{me} Britton. J'aimerais aussi remercier les requérants, les intervenants et le public en général de leur coopération continue.

TABLE OF CONTENTS

PAGE NUMBER

RESPONSIBILITIES OF THE BOARD 1

MEMBERS OF THE BOARD 2

SUMMARY OF BOARD ACTIVITIES -

- Board Meetings 3
- Public Hearing Days 3
- Pre-Hearing Conference Days 3
- Orders Issued 3

NATURAL GAS DISTRIBUTION

- Centra Gas Manitoba Inc. 4
- Gladstone Austin Natural Gas Co-op Ltd. 16
- Swan Valley Gas Corporation 17
- Direct Purchase of Natural Gas 18
- Municipal Gas 19

PROPANE GAS DISTRIBUTION

- Stittco Utilities Man Ltd. 20

SERVICE DISCONNECTION AND RECONNECTION 22

THE GAS PIPE LINE ACT 25

MANITOBA HYDRO 26

MANITOBA PUBLIC INSURANCE 27

THE MUNICIPAL ACT 34

THE HIGHWAYS PROTECTION ACT 35

THE PREARRANGED FUNERAL SERVICES ACT 36

THE CEMETERIES ACT 37

FINANCIAL INFORMATION 38

RESPONSIBILITIES

The Public Utilities Board (the Board) is an independent quasi-judicial body operating under the authority of the Manitoba Legislature. While The Public Utilities Board Act was passed in 1959 the Board has regulated services under other legislation since 1912.

The Board is responsible for the regulation of public utilities as defined under *The Public Utilities Board Act*; namely: Centra Gas Manitoba Inc., Stittco Utilities Man Ltd., Gladstone, Austin Natural Gas Co-op Ltd., Swan Valley Gas Corporation, all energy providers and most water and sewer utilities in the Province.

The Board also regulates the premiums charged for compulsory auto insurance and related premiums charged on drivers' licences and Manitoba Hydro's rates for the sale of power, all pursuant to *The Crown Corporations and Public Review and Accountability Act*. Other enactments which assign regulatory or adjudicative responsibilities to the Board are:

The Greater Winnipeg Gas Distribution Act
The Gas Allocation Act
The Prearranged Funeral Services Act
The Cemeteries Act
The City of Winnipeg Act (passenger carrier agreements)
The Manitoba Water Services Board Act (Appeals)
The Highways Protection Act (Appeals)

The Board is also responsible for the administration of The Gas Pipe Line Act which requires the Board to authorize construction and operation of all gas pipe lines in Manitoba.

MEMBERS OF THE BOARD

As of December 31, 2001 the members of the Board were:

G. D. Forrest, Chairman
R. A. Mayer, Q.C., Vice-Chairman
D. Côté
M. Girouard
E. Jorgensen
Dr. K. Avery Kinew
S. Proven
Mario J. Santos
P. Britton (resigned effective November 16, 2001)

SUMMARY OF BOARD ACTIVITIES

BOARD MEETINGS AND HEARINGS

Board Meetings	26
Public Hearing Days	32
Appeal Hearings	
- Disconnection of Service	7
The Highways Protection Act	1
Pre-Hearing Conference Days	2

ORDERS ISSUED

During the year ending December 31, 2001, 193 Orders were issued, as follows:

Regulated Industry Orders:

Water and Sewer Utilities	77
Manitoba Hydro	67
Natural Gas and Propane Utilities	29
Service Disconnection & Reconnection	9
Manitoba Public Insurance Corporation	7
The City of Winnipeg (Transportation)	3
Highways Protection Act	1

Note: Copies of the decisions of The Public Utilities Board of Manitoba are available from the Board's office upon request.

NATURAL GAS DISTRIBUTION

CENTRA GAS MANITOBA INC.

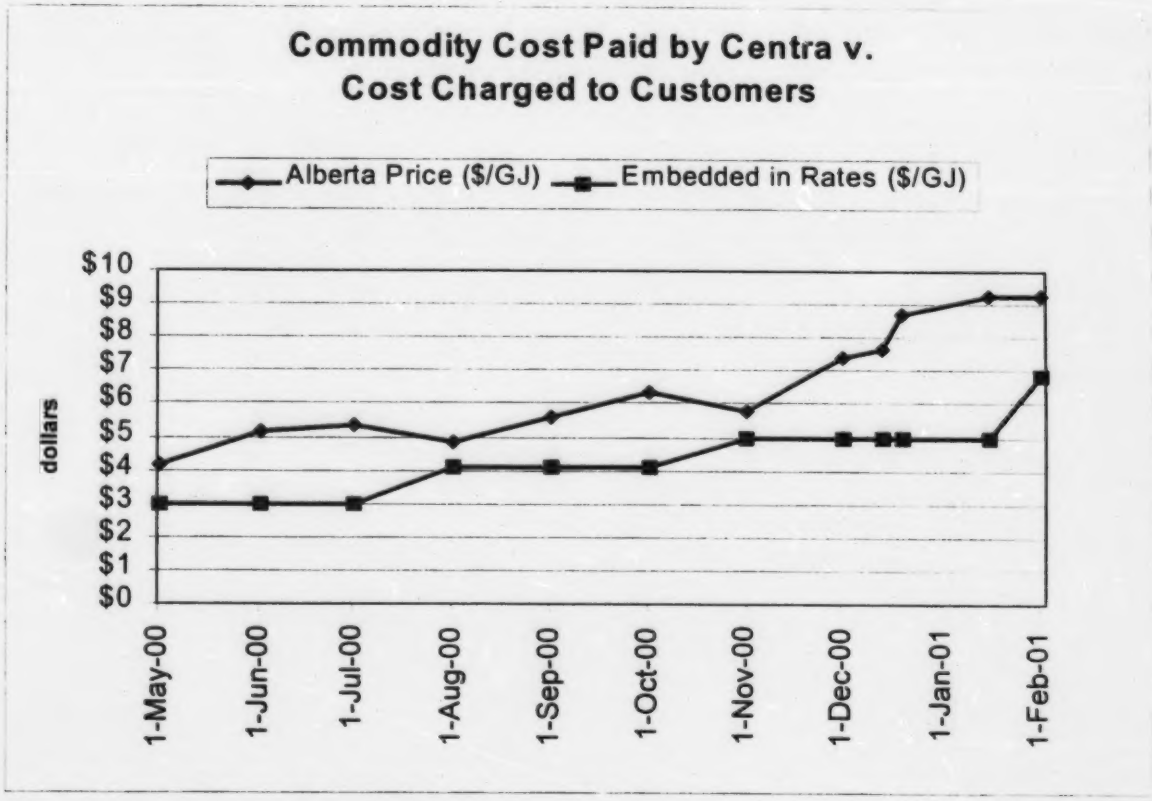
AN APPLICATION BY CENTRA GAS MANITOBA INC. FOR AN ORDER APPROVING INTERIM PRIMARY GAS SALES RATES TO BE EFFECTIVE FOR ALL GAS CONSUMED ON AND AFTER FEBRUARY 1, 2001 - *Order No. 15/01 dated February 1, 2001*

On January 4, 2001 Centra Gas Manitoba Inc. ("Centra") applied to The Public Utilities Board ("the Board") for rate increases to address changing market prices for natural gas. Centra applied to the Board to flow-through 75% of the difference between the current market price as of the date of the Application rather 50% as per prior Centra proposed rate increases of 32% to 46% depending on customer class.

The Board received over 400 submissions from individuals, businesses and organizations concerned about the financial hardship caused by increasing natural gas rates.

Centra does not produce its own gas, but buys its Primary Gas which is priced to the energy commodity futures market, from Alberta producers. The requested increase in sales rates was based on the average price of gas as forecast for the next 12 months in the energy commodity futures markets as at December 13, 2000 and subsequently updated as at January 16, 2001. In the brief time of one month, the forecast annual average price of gas rose from $7.847/Gigajoule ("GJ") to $9.251/GJ.

One year ago the commodity cost of natural gas fluctuated in the range of $2/GJ to $4/GJ, a range that had held for several years. However, in the past year the commodity cost of gas almost tripled. This unprecedented increase in the commodity cost was attributable to various factors, including the high demand for natural gas in North America relative to supply and colder than average temperatures in December.



In this North American market, Centra must compete with companies north and south of the Canada/U.S. border for Western Canadian natural gas supplies. Manitoba is not alone in this market place. Consumers in other provinces were subject to rate increases in excess of 50%.

The Board approved sales rates which reflect market information at January 16, 2001 which indicated a forward price of $9.251/GJ. The Board used a 50% inclusion rate and not the 75% requested by Centra. This increased rates by approximately 26% for residential customers and in the range of 33% to 45% for certain larger industrial customers. The new rate will be $0.292 per cubic metre. Assuming normal weather, the impact on the typical residential customer was $286 greater than his/her current bill of $1,100. Because only 50% of the increase in the market price was approved for inclusion in rates, the Board noted that the actual cost of gas being paid by Centra is considerably higher than the cost embedded in sales rates as shown above.

As rates are set at a point in time whereas the market price continues to fluctuate, the

difference is captured in the Purchase Gas Variance Account (PGVA). Accordingly, even with the rate increases approved by the Board, ratepayers will still have an obligation to Centra which is expected to grow to $115 million by May 1, 2001. The Board has also included in the approved rates a recovery of an estimated amount of $50 million in the PGVA. The payment of this $50 million obligation will be spread over the next 12 months.

The Board emphasized that Centra is not allowed to earn a profit on gas purchases. Customers can consider efforts to mitigate rate impacts, such as:

- Enrolling in the Equal Payment Plan Program (Budget Plan) which spreads the payment for high winter usage over the summer months;
- Incorporating energy conservation measures to reduce consumption; and
- Investigating other competitive suppliers of gas.

APPROVAL OF INTERIM PRIMARY GAS SALES RATES TO BE EFFECTIVE FOR ALL GAS CONSUMED ON AND AFTER FEBRUARY 1, 2001, PURSUANT TO BOARD ORDER 15/01 - ***Order No. 18/01 dated February 2, 2001***

On February 1, 2001 Centra filed the required rate schedules pursuant to Order 15/01. The Board reviewed this material and approved the rate schedules as filed by Centra.

AN APPLICATION BY CENTRA GAS MANITOBA INC. FOR AN ORDER SEEKING FINAL APPROVAL OF ACTUAL 1999 AND 2000 GAS COSTS, DISPOSITION OF CERTAIN GAS COST DEFERRAL ACCOUNT BALANCES AS OF MARCH 31, 2001, CONFIRMATION OF CERTAIN INTERIM ORDERS, APPROVAL OF SALES RATES TO BE EFFECTIVE FOR ALL GAS CONSUMED ON AND AFTER JUNE 1, 2001, AND OTHER MATTERS - ***Board Order No. 91/02 dated June 6, 2001***

Natural gas prices in Canada and the United States have increased dramatically over the past year. The price for Alberta spot gas at the border was approximately $3/gigajoule ("Gj") in January 2000. In January 2001 the price was over $13/Gj. In March 2001, the spot price was approximately $7.60/Gj. This dramatic increase in the commodity cost of gas has been responsible for most of the increase in sales rates requested by Centra.

In this Order, the Board approved the actual 1999 gas costs, the actual 2000 gas costs, excluding Primary Gas, and the disposition of all PGVA and gas cost deferral account balances. The Board directed Centra to file revised sales rates for Supplemental Gas, Transportation (to Centra) and Distribution (to customer) to include the forecast increase in non-primary gas costs for 2001/02, based on the twelve month forward price strip at March 1, 2001, for all gas consumed on or after June 1, 2001.

The Board approved the cost consequences of Centra's derivative hedging transactions for the 1998/1999 and 1999/2000 gas years. Although disappointed with Centra's limited hedging activities, the Board was of the view that the success of a derivative

hedging program must be reviewed in the context of an entire gas year.

The Board approved the cost consequences of the TransCanada Energy Ltd. ("TCE") contract. However, the Board expressed concern that Centra did not bargain for a regulatory approved condition precedent to protect Centra and Manitoba consumers. Although disappointed with many aspects of the renegotiated contract, the Board concluded that the renegotiated contract taken as a whole, was an improvement over the legacy contract.

The Board directed Centra to file an analysis on the merits of outsourcing the management of Centra's gas supply assets.

The approximate rate impacts of the decisions from this Order on the annual natural gas bills of various customer classes are expected to be approximately as follows:

Customer Class	**% Annual *Bill Increase***
Small General Class	6.0 to 6.5
Large General Class	8.0 to 9.0
High Volume Firm	7.0 to 8.0
Mainline	4.5 to 7.0
Interruptible	17.0 to 18.5

APPROVAL OF SUPPLEMENTAL SALES RATES TO BE EFFECTIVE FOR ALL GAS CONSUMED ON AND AFTER JUNE 1, 2001 FLOWING FROM BOARD ORDER 91/01 - *Order No. 94/01 dated June 7, 2001*

On June 6, 2001, Centra filed the required information pursuant to Order 91/01. The Board reviewed this material and was satisfied that it met the requirements of Order 91/01. The Board approved the rate schedules as filed.

AN APPLICATION BY CENTRA GAS MANITOBA INC. FOR AN INTERIM ORDER APPROVING PRIMARY GAS SALES RATES TO BE EFFECTIVE FOR ALL GAS CONSUMED ON AND AFTER JUNE 1, 2001 - *Board Order 99/01 dated June 15, 2001*

This Order addressed changes in the commodity cost of Primary Gas, which represents only a portion of the customer's total monthly bill. Other components of the bill include costs related to supplemental gas, transportation to Centra, distribution to the customers, alternate gas service, if applicable, and a basic monthly charge.

Because of recent increases in the cost of gas, the PGVA balance owing to Centra by customers at February 28, 2001 was in excess of $100 million. In this Order, the Board approved Centra's request to create a Primary Gas Deferred Gas Recovery Account, but directed Centra to use the term Primary Gas Deferral Account. The account will be comprised of the Primary Gas PGVA balance at April 30, 2001, net of any collections from the existing rate rider to May 31, 2001.

The Primary Gas Deferral Account will be collected through a Primary Gas Deferral Rate Rider over a 24-month period. Based on a principle that all customers who created the balance should pay their fair share, the Primary Gas Deferral Account Rate Rider will be collected from all System and Buy/Sell customers of record at April 30, 2001. This rate rider will be shown as a

separate line on the customer's bill. In the interest of equity and fairness, any gas customers who signed an agreement with an Aggregator, Broker or Marketer ("ABM") prior to April 30, 2001 but had not been converted, will be subject to this rate rider.

The Board directed Centra to modify the existing Rate Setting Methodology to incorporate 100% of the change between the 12-month forward price for Western Canadian supplies, weighted for the cost of gas in storage, and the existing Primary Gas sales rate. With the move to a 100% inclusion rate, changes in the commodity price of natural gas will be passed through to Centra's rates on a more timely basis, and Primary Gas sales rates will be more reflective of current market rates.

The Board denied Centra's request for any change in Primary Gas sales rates to be effective June 1, 2001. Any changes in Primary Gas sales rates as a result of this Order will be included in Centra's application for sales rates to be effective for all gas consumed on and after August 1, 2001.

AN APPLICATION BY CENTRA GAS MANITOBA INC. SEEKING APPROVAL OF REVISED DISTRIBUTION RATES TO BE EFFECTIVE APRIL 1, 2001, AND OTHER MATTERS - ***Order No. 106/01 dated July 9, 2001***

On January 4, 2001 Centra filed a General Rate Application ("GRA") with the Board seeking approval of various matters.

Following a pre-hearing conference held on January 16, 2001, the Board issued Order 14/01 dated January 24, 2001, which amongst other things, directed Centra to file additional information in support of the application. The additional information was to include, in part, material related to the acquisition of Centra by Manitoba Hydro, and material related to integration issues. Order 14/01 also established a revised timetable for the orderly exchange of information leading to a public hearing to consider the GRA, scheduled to commence on May 29, 2001.

In a letter to the Board dated February 8, 2001, Centra indicated that the additional filing requirements set out in Order 14/01 could not be completed in accordance with the timetable outlined in Order 14/01. Centra then made an application to vary Order 14/01 pursuant to Section 44(3) of The Public Utilities Board Act (" the Act"). On February 9, 2001, the Board forwarded a copy of Centra's application to vary to all registered intervenors, and invited all interested parties to provide the Board with their comments. The Board heard from five such parties.

In a letter dated March 1, 2001, Centra advised the Board that at the request of the Minister responsible for Manitoba Hydro, Centra was withdrawing the GRA.

The Board circulated Centra's letter of March 1, 2001 to all interested parties for information and comment.

Centra responded to the positions of the interested parties, indicating that the initial decision to seek a rate increase was made after serious deliberation, weighing the burden of the increase on the consumer against the financial impact on the utility.

Subsequent to that decision, the Government of Manitoba offered a means by which Centra could avoid an immediate rate increase without seriously impacting its financial stability. Centra indicated that it had received notification that the Government of Manitoba was prepared to defer payments related to tax indebtedness as prescribed in the agreement resulting from the Centra acquisition until a review of the arrangement could be undertaken.

Centra forecasts that foregoing the $8.8 million proposed rate increase would result in a small loss for 2001/02. Centra further estimated that regulatory costs for a hearing would be $1.4 million and suggested that this would increase substantially if Centra were to comply with Order 14/01. Centra noted that, as a Crown owned utility, it is subject to numerous other accountability mechanisms including the Crown Corporations Council, the Provincial Auditor, the Public Utilities Committee of the Legislature, Cabinet, The Minister responsible for Manitoba Hydro/Centra Gas and the Board of Directors Centra.

Centra acknowledged that the legislation governing its regulation has not changed since its acquisition by Manitoba Hydro, stating however, that its objectives as "a cost-based Crown owned utility are different from those of a shareholder owned utility seeking a rate of return on equity for its shareholders." Centra stated that it did not seek a new method of regulation, but sought what was in its view a more efficient, minimum filing which recognized the change in circumstances while still allowing the Board to meet its statutory mandate.

The Board noted that the issues to be considered are significant and speak to matters far beyond a simple change in distribution rates, including issues related to fairness of rates and timely regulation of a public utility. The Board also reviewed the issue of jurisdiction to proceed with this matter, and was of the view that it has such jurisdiction. The Board also remained of the view expressed in Order 14/01 that the filings originally submitted by Centra were inadequate to allow the Board to fully discharge its regulatory responsibilities.

In the Board's view, a GRA in the near term was required to deal with a multitude of issues related to Centra's revenue requirement and rate design. These issues include, but are not limited to, matters related to income tax, rate of return issues, rate base and cost allocation matters and rate design considerations. The importance of some of these issues are further complicated by the long passage of time since the last GRA. The Board further acknowledges that the need for a GRA must be balanced with the practical issues of Centra's current regulatory work agenda, which is significant. As well, Centra must be provided with a reasonable period of time to prepare a comprehensive filing document in accordance with the direction set out in Order 14/01.

The Board noted that Centra's letter to the Board dated March 13, 2001 indicated the requirement for a general rate increase for 2002/03 year, to be effective April 1, 2002. In light of this requirement, coupled with the forecast of a small financial loss in 2001/02 and Centra's previous indication of time constraints to prepare its filing, the

Board varied the timetable All other matters set out in Order 14/01 remained in effect.

The revised timetable requires an application to be filed in October 2001 with a public hearing scheduled in February 2002, for rates to be effective April 1, 2002.

The Board noted that significant time had elapsed since Centra's last GRA review in 1998, and there was a need for Centra to provide data that would allow the Board to carry out its regulatory responsibilities.

The Board considered that interested parties had indicated a keen desire to participate in the process to examine whether the existing sales rates of Centra are fair and equitable and there was concern that Centra had not been before the Board since 1998. In addition, the high level information provided by Centra to date regarding integration matters did not adequately allow for a proper determination of whether rates are fair and equitable. The ratepayers had also requested an opportunity to examine whether the rates charged by Centra are appropriate and justified because of the change in ownership.

AN APPLICATION BY CENTRA GAS MANITOBA INC. FOR AN ORDER APPROVING INTERIM PRIMARY GAS SALES RATES TO BE EFFECTIVE FOR ALL GAS CONSUMED ON AND AFTER AUGUST 1, 2001 - *Order No. 119/01 dated July 27, 2001*

On June 27, 2001 Centra filed an application with the Board requesting approval of a new Primary Gas billed rate which would result in an annualized reduction of approximately 6.9%, or $102/year, for a typical residential consumer. The annualized decrease for the Large General Service (LGS) customers and the higher volume customers would range from 7.0% to 9.4%. The billed rate was calculated on the June 1, 2001 average price of gas as forecast for the next 12 months resulting in a primary billed rate of $0.2218/cubic metre.

On July 24, 2001, as required by the Board, Centra updated its application using a current forward price of gas as of July 19, 2001. The updated information reflects the 12-month forward strip at $4.517/Gj which is lower than the June 1st strip of $5.877/Gj included in the initial Application resulting in a billed rate of $0.1776/cubic metre.

The Board accepted Centra's revised application and ordered Centra to reduce its Primary Gas rates by 15.9%, which results in a decrease of $233 on an annualized basis for a typical residential consumer, as opposed to the 6.9% or $102 annualized decrease included in the original application. The range of bill decreases for the LGS and higher volume customer will now change to 16.1% - 21.6% compared to the 7.0% - 9.4% as contained in the original application.

CENTRA GAS MANITOBA INC. APPLICATION FOR AN INTERIM EX-PARTE ORDER OF THE BOARD: 1. AUTHORIZING AND APPROVING AN AMENDMENT TO THE EXISTING FRANCHISE AGREEMENT BETWEEN CENTRA AND THE RURAL MUNICIPALITY OF GREY 2. APPROVING THE FINANCIAL FEASIBILITY TEST FOR THE EXPANSION OF NATURAL GAS TO ONE CUSTOMER WITHIN THE RURAL MUNICIPALITY OF GREY -

Order No. 154/01 dated October 11, 2001

On October 4, 2001 Centra applied to the Board for interim ex-parte approval and authorization of an amendment to the existing franchise agreement between Centra and the Rural Municipality of Grey ("Grey"), and interim ex-parte approval of the financial feasibility test for expansion of Centra's distribution system to serve one customer within the expanded franchise area.

The amendment to the existing Franchise Agreement between the Rural Municipality of Grey and Centra, as well the feasibility test as submitted by Centra was approved on an interim ex-parte basis.

CENTRA GAS MANITOBA INC. APPLICATION FOR AN INTERIM EX-PARTE ORDER OF THE BOARD: 1. AUTHORIZING AND APPROVING AN AMENDMENT TO THE EXISTING FRANCHISE AGREEMENT BETWEEN CENTRA AND THE RURAL MUNICIPALITY OF ROCKWOOD 2. APPROVING THE FINANCIAL FEASIBILITY TEST FOR THE EXPANSION OF NATURAL GAS TO SERVICE THREE CUSTOMERS WITHIN THE RURAL MUNICIPALITY OF ROCKWOOD - *Order No. 164/01 dated October 23, 2001*

On October 9, 2001 Centra applied to the Board for interim ex-parte approval and authorization of an amendment to the existing franchise agreement between Centra and the Rural Municipality of Rockwood ("Rockwood"), and interim ex-parte approval of the financial feasibility test for expansion of Centra's distribution system to serve one commercial customer and two residential customers within the expanded franchise area.

The amendment to the existing Franchise Agreement between the Rural Municipality of Rockwood and Centra as well as the feasibility test as submitted by Centra was approved on an interim ex parte basis.

AN APPLICATION BY CENTRA GAS MANITOBA INC.TO VARY ORDER NOS. 14/01 AND 106/01 - *Order No. 168/01 dated October 30, 2001*

On January 4, 2001 Centra filed a GRA with Board. Following a pre-hearing conference held on January 16, 2001 the Board issued Order No. 14/01, which established a timetable for the orderly exchange of information and ordered additional Minimum Filing Requirements (MFR) to be filed by Centra.

Upon consideration of further correspondence from Centra and all other parties the Board issued Order No. 106/01 dated July 9, 2001 revising the timetable for the hearing as set out in Order No. 14/01. However, the MFR remained unchanged from Order No. 14/01. This revised timetable provided for a hearing to commence on February 4, 2002.

On July 27, 2001 Centra wrote to the Board concerning Order No. 106/01. Centra noted that its GRA for the year 2001/02 was withdrawn at the Government's request and assumed that the Board was now seeking a GRA based on fiscal year's 2002/03 requirements. Centra advised "that the Centra Board is scheduled to consider Centra's revenue requirement for 2002/03 at its meetings on November 22, 2001 at which

time the revenue requirements for Centra for 2002/03 is to be determined". Accordingly Centra requested that Order No. 106/01 be amended and that the filing date of the GRA be further changed to accommodate the approval of the Integrated Financial Forecast ("IFF") by the Centra Board.

The proposed filing date for Centra's GRA was accepted. Matters flowing from the Integration Status Update hearing and Board Order No. 146/01 were to be considered at the Manitoba Hydro GRA proceeding. Filing requirements for Centra's GRA as set out in Order No. 106/01 was left unchanged. Centra was required to satisfy the onus that the rates are just and reasonable.

AN APPLICATION BY CENTRA GAS MANITOBA INC. FOR AN ORDER APPROVING INTERIM PRIMARY GAS SALES RATES TO BE EFFECTIVE FOR ALL GAS CONSUMED ON AND AFTER NOVEMBER 1, 2001 - ***Order No. 170/01 dated October 31, 2001***

On September 24, 2001, Centra applied to the Board for approval of interim sales rates to be effective November 1, 2001 and to remain in effect until a further Order of the Board. Centra requested that, pursuant to Order 99/01, 100% of the difference between the updated 12-month forward price for natural gas (weighted for the cost of gas in storage) and the Primary Gas Rate set in the previous quarter be used to establish the November 1, 2001 Primary Gas Rate.

The proposed November 1, 2001 billed Primary Gas Rate requested by Centra was $\$0.1550/m^3$, compared to the originally requested billed rate of $\$0.1638/m^3$. In addition the billed rate will include the Primary Gas Deferral Rider (PGDR) rate rider of $\$0.0363/m^3$, yielding a final billed rate of $\$0.1913/m^3$.

Based on the revised strip, the Table below details the decreases to the annual natural gas bills of different customer classes.

ANNUALIZED AS BILLED RANGE OF CUSTOMER IMPACTS REVISED APPLICATION

Customer Class	Low	High
Small General Class	-5.6%	-6.1%
Large General Class	-5.8%	-7.2%
High Volume Firm	-7.0%	-7.6%
Mainline	-7.8%	-8.4%
Interruptible	-7.3%	-7.8%

The Board approved the Schedule of Rates reflecting the above as submitted by Centra Gas.

The following table provides a summary of gas costs and customer impacts since 1999.

Date	Gas Cost 12 Month forward Price/GJ	% Change	Gas Cost Approved to Centra/GJ	% Change	Annual Customer Bill	% Change
Dec. '99	3.003	N/A	3.003	N/A	856	N/A
Aug 1/00	5.187	73	4.095	36	993	16.1
Nov 1/00	5.849	13	4.972	21	1,123	13.1
Feb. 1/01	9.251	58	6.818	37	1,381	23
Aug 1/01	4.614	(50)	4.614	(32)	1,233	(10.7)
Nov. 1/01	4.168	(10)	4.168	(10)	1,147	(6.9)

CENTRA GAS MANITOBA INC. APPLICATION FOR AN INTERIM EX-PARTE ORDER OF THE BOARD APPROVING AND AUTHORIZING: 1. THE FINANCIAL FEASIBILITY TEST FOR THE EXPANSION OF NATURAL GAS TO SERVICE CUSTOMERS WITHIN THE RURAL MUNICIPALITY OF BIFROST AND THE RURAL MUNICIPALITY OF WOODLANDS. 2. A SCHEDULE TO BE USED TO CHARGE AND COLLECT CONNECTION FEES FROM THOSE CUSTOMERS ATTACHING TO THE SYSTEM IN THE PROJECT AREAS. - *Order No. 172/01 dated November 5, 2001*

On October 22, 2001 Centra applied to the Board for interim ex-parte approval and authorization of the financial feasibility test for expansion of Centra's distribution system to serve customers located in Bifrost and Woodlands. Additionally, Centra requested approval and authorization of a Connection Fee Schedule to be used by Centra to charge and collect connection fees from those customers attaching to the system within the four specific areas of the proposed expansion, all within existing franchise areas.

The Interlake Natural Gas Co-op ("ING") approached Centra in January of 2001 to investigate the feasibility of extending the natural gas system to these project areas. It had been determined that the Year 1 capital costs for the original Interlake Project would come in under estimates. The ING Co-op subsequently received approval from the Federal and Provincial Governments to utilize the unspent contributions from the original projects to help fund these expansions. Centra conducted a market survey in the areas and determined that there were a total of 32 potential residential and 18 potential commercial customers, which could be served.

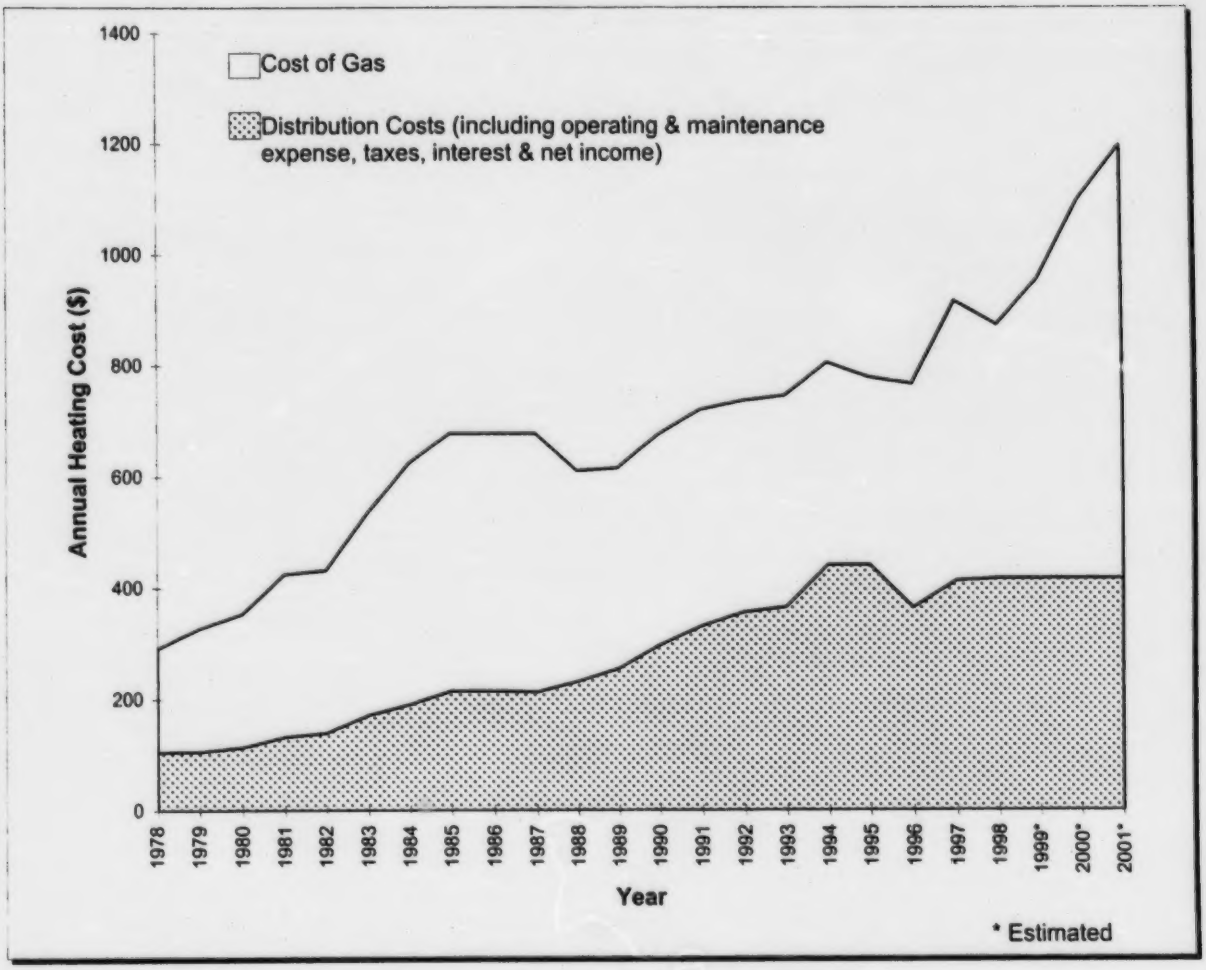
Centra submitted copies of letters of confirmation from Provincial and Federal agencies that each of the two levels of government will contribute approximately

$116,500 to the project. The Municipal portion of the project costs was $96,443.

The schedule of connection fees are slightly higher than those in the Connection Fee Schedule previously approved by the Board in Order 95/00, to reflect the higher cost of service for rural customers.

The Board approved the feasibility test as submitted by Centra Gas Manitoba Inc., as well as the Rural Connection Fee Schedule on an interim ex parte basis.

FIGURE 1



ANNUAL HEATING COST OF AN AVERAGE RESIDENTIAL CUSTOMER BASE RATES
(Annualized Basis)
Centra Gas Manitoba Inc.

Based on useage of 3,711m^3/year.

2001 costs are based on November 1, 2001 Primary Gas costs, 1998 Cost of Sevice and 2000 Other Gas Costs.

GLADSTONE, AUSTIN NATURAL GAS CO-OP LTD.

AN APPLICATION BY THE GLADSTONE, AUSTIN NATURAL GAS CO-OP LTD. FOR INTERIM EX-PARTE APPROVAL OF A DECREASE IN THE SALES RATE TO BE CHARGED FOR ALL GAS CONSUMED ON AND AFTER NOVEMBER 1, 2001 - *Order No. 166/01 dated October 26, 2001*

The Gladstone, Austin Natural Gas Co-op Ltd. ("the Co-op") passes the price it pays for natural gas through to its customers with no mark-up, and therefore does not profit from gas cost increases. In addition to the commodity cost of gas, other components of a natural gas bill include the cost to transport the gas to the Co-op's franchise area, the cost to distribute the gas to the end-user, and a basic monthly charge.

On August 27, 2001 the Co-op applied to the Board for ex-parte approval to decrease the commodity portion of the rate from the current $10.59 per Gigajoule ("Gj") to $9.95 Gj, while maintaining the current fixed monthly charge at $10.00. The proposed rates included a commodity cost of natural gas of $5.25 per Gj, compared to the $5.90 per Gj reflected in existing rates.

The Co-op solicited a number of firms for quotations for gas supply for the 12-month period commencing November 1, 2001, but very little interest was shown by suppliers due to the relatively low volumes required, and the Co-op's high variability in consumption patterns. The Co-op negotiated a 12-month supply agreement commencing November 1, 2001 with SaskEnergy, who also supplied the Co-op's requirements last year. Combined with the increases in transportation tolls, as approved by the National Energy Board, the delivered cost of gas at the city gate was forecast to be approximately $6.70 per Gj, compared to the existing $7.24 per Gj. In order to preserve its customer base, the C-op decided to decrease the commodity rate to $6.60 per Gj, which was slightly less than the forecast cost of gas. The Board approved this rate, considering that a rate below $10.00 would send proper signals that the cost of gas was decreasing. The Board also considered the fact that the current PGVA balance is in a credit position; (funds are owing to consumers). With the new rates, it was estimated that the PGVA balance at October 31, 2001 will be eroded, and may show a slight negative balance.

The Board approved the Co-op's application, but on an interim and refundable basis. The Co-op notified its customers of the decreased rate by way of a bill stuffer and advertisements in the local paper and advised them of their right to make their views known to the Board. While the commodity cost of gas has decreased by approximately 8.8%, the annual residential heating bill for a consumer using 100 Gjs of energy per year will decrease by only approximately 5.5% due primarily to increased transportation costs.

SWAN VALLEY GAS CORPORATION

APPROVAL OF SALES RATES TO BE CHARGED BY SWAN VALLEY GAS CORPORATION, PURSUANT TO ORDER NO. 161/00 - *Order No. 17/01 dated January 31, 2001*

On December 7, 2000, Swan Valley Gas Corporation ("Swan Valley") filed information with the Board pursuant to Order 93/00, dated July 4, 2000. Subsequent to a review of the information, the Board issued Order 161/00, dated December 15, 2000, which granted Swan Valley authority to operate, subject to receipt of all revised franchise agreements before February 28, 2001, and approved sales rates. The Board also approved sales rates, customer contribution fees and terms of service for Louisiana Pacific Canada, Ltd., and the general terms and conditions of service submitted by Swan Valley. The sales rates were only approved until January 31, 2001, pending a detailed review by the Board of Swan Valley's rate design and cost allocation methodology.

The Board completed a review of Swan Valley's cost allocation and rate design and was satisfied that these were reasonable, and in accordance with the requirements of Order 93/00. The Board granted final approval of the Rate Schedules, appended as Part 3 of the "Terms and Conditions of Natural Gas Service", to Order 161/00, pages 26 to 35.

The Board expects Swan Valley to file for Board approval any revised rate schedules. Swan Valley is also expected to file for Board approval revised rates schedules necessary because of changes in tariffs approved by the National Energy Board.

The Board approved Swan Valley's request for the establishment of a purchased gas variance deferral account, and will expect Swan Valley to file a report, in a format satisfactory to the Board, detailing the status of the balance of this deferral account on a quarterly basis. As well as annual financial statements and supporting schedules on an annual basis.

DIRECT PURCHASE OF NATURAL GAS

As of December 31, 2001 and for the natural gas year November 1, 2001 to October 31, 2002 the Board registered 20 companies for the brokerage of natural gas supplies to Manitobans.

The Board continued to monitor and supervise this direct purchase market. A number of enquiries were handled throughout the year.

Centra Gas Manitoba Inc. reported that, during the calendar year 2001, 30,309 direct purchase arrangements were submitted by Brokers. 11,451 customers were conversions from Buy/Sell and 18,858 were new WTS customers. A total of 4,289 (Buy/Sell and WTS) accounts were terminated. 2,546 applications were rejected because of inadequate information or because the customer was already under a direct purchase arrangement. As of December 31, 2001 natural gas was flowing for approximately 52,310 accounts under direct purchases of these 32,347 were ABC customers and 19,963 were buy/sell customers.

Some customers who had received marketing information from a broker offering a fixed price contract contacted the office. Staff generally advise customers about the rules applicable to Brokers and the markets for gas without commenting on the merits of the offer.

In addition staff handled about 2,415 calls from customers with complaints about gas broker activity. These complaints dealt with door to door sales activity; adequacy of disclosure of information at the door, high pressure sales tactics, difficulty in contacting the Company. With the recent fall in natural gas prices a significant number of customers who signed a contract with a broker have been inquiring about terminating their contract with the Broker.

MUNICIPAL GAS

AN APPLICATION BY MUNICIPAL GAS, A DIVISION OF DIRECT ENERGY MARKETING LTD. FOR THE EXTENSION OF BUY/SELL SERVICE TO NOVEMBER 1, 2003 - *Order No. 78/01 dated May 7, 2001*

In Order 19/00 dated February 14, 2000, the Board determined that "Buy/Sell arrangements[1] shall be phased out by November 1, 2001". At the same time, the Board indicated "any party wishing to extend this date shall notify the Board together with their reasons for the request."

On January 8, 2001, Municipal applied for an extension of its existing Buy/Sell arrangements until the earlier of November 1, 2003 or the expiration of the existing Buy/Sell arrangements. Municipal stated that customers with contracts expiring after November 1, 2003 that had not switched to Western Transportation Service[2] (WTS) by November 1, 2003, would be transferred to system supply.

The Board approved Municipal's request to extend the deadline for the elimination of Buy/Sell service to the earlier of November 1, 2003 or the expiration of existing customer contracts, provided no new Buy/Sell contracts are established.

The Board's ruling in this matter applies only to Municipal's Buy/Sell customers.

[1]Under a "Buy/Sell Arrangement" a customer or broker buys natural gas in the market place and sells the product to the utility at the utilities system cost.

[2]Under a "WTS Arrangement", the customer buys natural gas directly and the utility delivers natural gas to the customer's premise.

PROPANE GAS DISTRIBUTION

STITTCO UTILITIES MAN LTD.

Stittco Utilities Man Ltd. (Stittco) provides propane by pipeline in the communities of Thompson, Snow Lake and Flin Flon. The pipeline activities are regulated by the Board with respect to rates under *The Public Utilities Board Act* and with respect to safety under *The Gas Pipe Line Act*. The following number of customers are served in each community:

	Domestic	Commercial
Thompson	891	135
Flin Flon	0	28
Snow Lake	0	18

An affiliate of Stittco provides propane in bulk through non-pipeline facilities which is not regulated by the Board.

The Board issued two (2) Orders in 2001 approving a change in rates for Stittco as a result of a change in market prices.

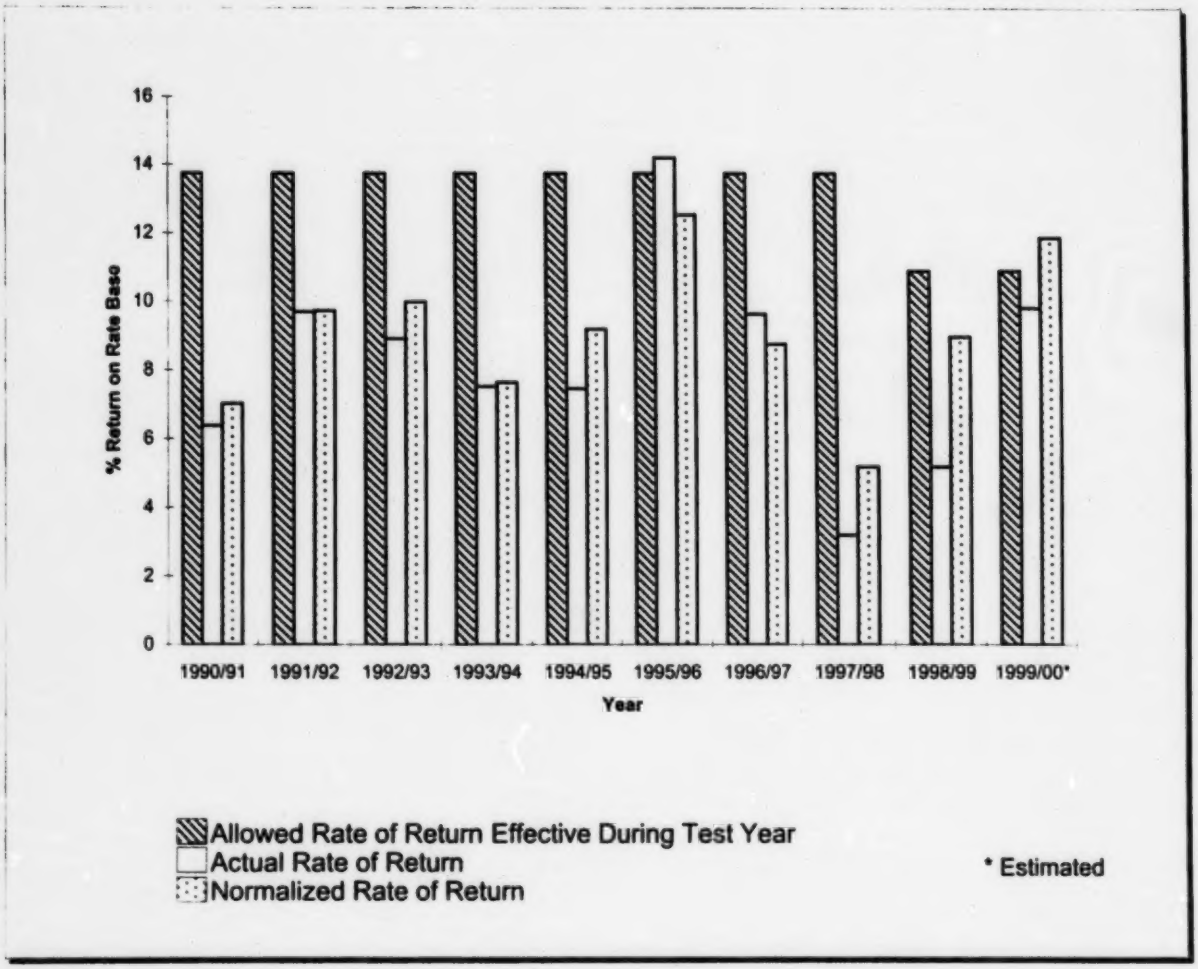
In Order No. 4/01 dated January 9, 2001, the Board approved an application for a change in rates to reflect an increase in the cost of propane from $215.80 per cubic metre (liquid) to $330.80. Stittco applied and the Board approved a rate rider to recover this difference in cost which equates to $0.4341 per cubic metre (vapour). The Board approved a rate rider for similar purposes in 2000, in the amount of $0.186 per cubic metre.

On July 30, 2001 Stittco applied to the Board for approval of a reduction of the first rate rider from $81.80 to $49.20 (liquid) to again reflect market conditions. The Board commended Stittco for re-negotiating this lower price under its fixed price contract with its supplier.

The Board approved Stittco's application noting that the Propane Purchase Variance Account, which reflects differences between market rates and retail rates not addressed by its rate applications, has a significant balance owing to Stittco. As at December 31, 2001 the balance was $159,204. The rate rider is permitting a slow payment of this balance.

The Board noted that these applications were the result of market conditions which were beyond the control of Stittco. Recognizing the impact the cost of regulation has on such a small customer base, the Board approved these applications on an interim basis without a public hearing but with notification to customers.

FIGURE 2



OVERALL RATE OF RETURN ON RATE BASE

Stittco Utilities Man. Ltd.

NOTE: Overall rate of return is the return earned or allowed to be earned by a utility calculated as a percentage of its Rate Base i.e., investment in property, plant and equipment

NOTE: Normalized rate of return is that earned by the Company assuming normal weather.

SERVICE DISCONNECTION AND RECONNECTION

The disconnection and reconnection of service by public utilities is regulated pursuant to Section 104.1 of The Public Utilities Board Act. Board Order Nos. 107/94, 77/93 and 139/92 approved the policies and procedures for service disconnection and reconnection by Centra Gas Manitoba Inc. and Stittco Utilities Man Ltd. These policies and procedures also apply to the Gladstone, Austin Natural Gas Co-op and the Swan Valley Gas Corporation.

The major activities of the Board in this area of responsibility are as follows:

1) Handle inquiries from the public (telephone, in-person interviews).
2) Conduct hearings on customer appeals against the disconnection action.
3) Review on-going disconnect reports submitted by the utility and audit such reports.

CENTRA GAS MANITOBA INC.

Staff handled about 1,000 calls from customers who were disconnected or about to be disconnected. This is up from the normal annual levels of 500 and is equal to the peak reached in 1999. This increase activity is most likely due to the significant increase in gas rates during the year and the resulting higher number of customers with outstanding arrears. The calls and inquiries generally dealt with the customers' obligations in settling their accounts and the appeal procedures of the Board. The number of customers in the residential class with large outstanding amounts continue to fall allowing the Company to focus in on customers with smaller amounts outstanding causing additional calls to the Board.

Residential customers generally requested the continuation of service and more favourable repayment terms from Centra.

Complaints from commercial customers and landlords were minimal. They generally dealt with security deposits and disputes about responsibility for the bill.

Activity to December 31, 2001

Centra Gas Manitoba Inc.	1993	1994	1995	1996	1997	1998	1999	2000	2001
Total residential Customers disconnected	3875	3346	3284	3924	3151	3650	4151	3177	2765
Total residential customers reconnected	3800	3277	3158	3842	3065	3557	3922	2851	2418
Vacant, alternative heat Etc. and disconnected	75	69	126	89	86	93	219	326	347
Commercial disconnected	548	458	512	457	459	443	372	306	421
Commercial reconnected	501	430	487	439	448	418	212	257	333
Vacant, alternate heat, Etc. and disconnected	47	28	25	18	11	25	160	149	88

Customers who contacted the Board were given information about the policies and procedures and also, were advised to attempt to resolve their dispute with Centra. Failing a resolution, an appeal hearing was held.

The Board held seven hearings and issued seven (7) Orders. Four of these Orders dealt with the assignment for responsibility for the gas bill between landlords and tenants, two for the responsibility of the gas charges and the amounts and one for acceptable payment arrangements and their ability to work out a payment schedule. A large number of complaints were referred to Centra by Board staff and resolved without the need for a hearing. This also included having the customer meet with Centra to discuss the issues.

As in previous years several audits were undertaken to evaluate Centra's compliance with the legislation and the Board approved policy and procedures. These audits involved reviewing the Centra's customer files and in some cases contacting the customer.

The Board conducted an audit of Centra's disconnected files. Each file was reviewed to evaluate the adequacy of information for compliance with the approved procedure. Specifically, the Board reviewed those files wherein the building was deemed to be

vacant. The Board also reviewed files to determine if proper notice of disconnect was given and if there were any instances of unusual hardship being experienced by the disconnected customer, specifically with the elderly, the sick and those with children. In cases where there were concerns, the Board asked Centra to further review specific files and report back.

There was a decrease in the number of customers disconnected over last year which was due in part to the difficulty Centra had with its computer software and the late commencement of the lock-off program.

STITTCO UTILITIES MAN LTD.

A total of 10 customers were disconnected in 2001 (26 in 1993; 20 in 1994; 18 in 1995; 13 in 1996; 24 in 1997; 23 in 1998; 5 in 1999 and 12 in 2000).

GLADSTONE, AUSTIN NATURAL GAS CO-OP

There was one disconnection by the Co-op in 2001. In 1997, 1998, 1999 and 2000 there were no disconnections.

SWAN VALLEY GAS CORPORATION

Swan Valley Gas Corporation started operating in mid-December 2000 and did not report any disconnections for 2000 or 2001.

THE GAS PIPE LINE ACT

The Gas Pipe Line Act (the Act), administered by the Board, governs the public safety aspects of the distribution of natural gas by Centra Gas Manitoba Inc., Gladstone, Austin Natural Gas Co-op and Swan Valley Gas Corporation, of propane by Stittco Utilities Man Ltd. in Thompson, Snow Lake and Flin Flon, and of propane by Manitoba Housing Authority in Churchill.

The Board's primary responsibility is twofold. Firstly, the Board reviews pipeline owners adherence to safety standards as adopted by the Board and/or by Regulations to the Act. The enforcement is accomplished by reviewing and approving all plans of proposed construction and by monitoring the field construction, installation and inspection procedures.

The second major area of responsibility involves the investigation of pipeline damage occurrences, explosions and/or fires caused by either propane or natural gas.

Such investigations may lead to recommendations related to the distributors' emergency procedures and may also involve recommendations to other agencies and stakeholders in order to prevent similar incidents in the future.

In 2001, there were 140 reported incidents of pipeline damage, of which 124 resulted in "blowing" gas. The major causes of such occurrences were related to third party excavations for which clearance was not sought from the utility. Others were caused by excavators not following safe excavation procedures and by improper line location provided by the utility. Parties continue to meet with excavators to make them aware of the Regulations.

The Board is represented on the Canadian Standards Association (CSA) Steering Committee, Technical Committee and Gas Advisory Council on Oil and Gas Pipeline Systems.

MANITOBA HYDRO

Manitoba Hydro rates are approved by the Board under *The Crown Corporations and Public Review and Accountability Act, The Manitoba Hydro Act* and *The Public Utilities Board Act.*

Manitoba Hydro's last application to the Board for approval for rates was made in 1995, for rates effective April 1, 1996 and 1997. No general rate application has been made since that time.

Curtailable Services Program

Manitoba Hydro offers to its large customers service under the Curtailable Services Program (CSP) that in exchange for a rate discount Manitoba Hydro reserves the right to curtail these customers in times of need to serve firm loads. Such an arrangement is an alternative to constructing reserve or peaking facilities and has become an important part of demand side management strategies of many utilities in North America. The ability to curtail service to large customers on short notice provides Manitoba Hydro with the added flexibility to respond to emergencies and to improve its ability to market short-term firm power to other markets. Pursuant to this service offering Manitoba Hydro submitted monthly reference discounts to the Board for approval.

Surplus Energy Program

On October 25, 1999 Manitoba Hydro applied to the Board for the establishment of the Surplus Energy Program (SEP) to supersede the Industrial Surplus Energy, Dual Fuel Heating and Surplus Energy Services to Self-Generators programs. The SEP is designed to allow eligible customers to have access to surplus energy on terms relatively similar to those available to export customers. SEP reasonably addresses the key rate design issues of fairness and cost recovery.

Throughout 2001, the Board issued interim ex parte Orders approving weekly spot market rates pursuant to the Surplus Energy Program.

MANITOBA PUBLIC INSURANCE

The Manitoba Public Insurance Corporation ("the Corporation") filed an application with The Public Utilities Board ("the Board") on June 6, 2001 for approval of premiums to be charged for compulsory driver and vehicle insurance ("Basic insurance") for the insurance year commencing March 1, 2002 and ending February 28, 2003 ("fiscal 2003"), in which it requested a 1.2% decrease in overall vehicle insurance premium revenue. The Corporation subsequently revised its application on October 3, 2001 amending the request from a 1.2% decrease to no change in overall vehicle insurance premium revenue. The primary reason for this change was a higher than initially forecasted claims costs in the first half of the current fiscal year ending February 28, 2002 ("fiscal 2002"), primarily due to increases in collision, theft, hailstorm damage, and glass replacement claims. Additionally, forecasted investment income in fiscal 2002 was decreased because of lower returns on the Corporation's investment portfolio. These decreases to net income in fiscal 2002 were offset in part by increased earned motor vehicle premiums due to increases in the number of vehicles insured, and the total value of the insured vehicle fleet. The requested revenue adjustments recognized last year's one-time 16.6% surplus dividend that will be rebated to Manitoba motorists during the March 1, 2001 to February 28, 2002 insurance year.

The Corporation's initial application forecasted a net income of $15.9 million for fiscal 2002 and projected a net operating income of $9.8 million for fiscal 2003. The rate stabilization reserve ("RSR") was forecasted to be $81.8 million at February 28, 2002, after the surplus dividend rebate of $77.1 million, and projected to be $91.5 million at February 28, 2003 with an outlook for an RSR balance of $115.5 million at February 28, 2006.

The revised application forecasted a net operating loss of $14.3 million for fiscal 2002. The revised application projected program costs for fiscal 2003 to be $583.7 million, and if approved as filed, total earned revenue would be $519.3 million, leaving an underwriting loss of $64.4 million. With projected investment income of $66.7 million, the projected operating income for fiscal 2003 is $2.2 million. The RSR balances as revised were forecasted to be $50.0 million at the end of fiscal 2002, and projected to be $52.2 million at the end of fiscal 2003, with an outlook of $68.9 million at February 28, 2006.

The Corporation did not request any changes in drivers' premiums, service and transaction fees, or permits and certificate fees.

In response to Order 151/00, the Corporation refiled an updated operational and investment Risk Analysis to incorporate criteria specified by the Board. The Corporation complied with the Order, but also reiterated its position with respect to the RSR, that the appropriate RSR target range was between $80 million and $100 million. The Board heard the positions of other parties regarding this matter, and decided that the criteria, which it had previously stipulated in setting the RSR target range, were valid. The Board decided that the appropriate RSR target range for rate setting purposes was between $50 million and $80 million. The Board also stated that a Risk Analysis need not be filed in subsequent applications, until requested by the Board or unless circumstances change significantly. The Board continues to consider the overall financial strength of the Corporation for rate setting purposes.

The Corporation has actively and successfully pursued the settlement of outstanding third party bodily injury claims, which arose under the tort system before the implementation of the no-fault Personal Injury Protection Plan ("PIPP") on March 1, 1994. At September 2001, there were 207 remaining pre-PIPP tort claims. The Corporation previously obtained reinsurance coverage to provide a $20 million layer of protection for incurred losses in excess of $97 million on the pre-PIPP tort claims then pending, the ultimate cost of which is currently estimated by the Corporation at $95 million. If, as expected, there is no need to call on this reinsurance, the Corporation would receive a refund of $1 million of the one-time premium of $4 million, which it had previously paid.

The Board commended the Corporation in its attempts to control the cost of automobile repairs through the increased use of after market and recycled parts, where suitable, and in the continued training of its staff in current repair technology. The savings attributable to the use of after market and recycled parts is projected to be $16.1 million in fiscal 2003, up from the forecast savings of $15.0 million in fiscal 2002.

The Corporation continues the support of educational programs geared to increasing the use of occupant seat belt restraints and reducing impaired driving and speeding. The Board is encouraged by the 20% increased enrollment in the high school driver education program, which the Corporation attributes to a decrease in tuition fees and the implementation of the graduated drivers' licence program.

The Board considered that, on balance, having regard to the forecasted and projected program costs and revenues, and the RSR levels over the next several years, the Corporation's current revised application is reasonable. The Board therefore approved the Corporation's request for no change in overall vehicle insurance premium revenue in fiscal 2003.

In arriving at its decision, the Board noted that the total operating and claims expenses, except for employee compensation, had increased by less than 2% per year, over the past five years. The Board also noted that total Corporate claims and operating expenses for fiscal 2003 are expected to reach $125.5 million, an increase of 8.1% over fiscal 2002, of which $108 million is allocated to the Basic insurance program. Most of the increase is attributed to additional staff, greater number of claims, economic increases in collective bargaining agreements, and information technology expenditures largely driven by increased customer service and one-time special projects.

All major use classifications encounter different vehicle premium impacts under this application as follows:

Private Passenger	0.0%
Commercial	+11.0%
Public	-6.1%
Motorcycle	+15.0%
Trailers	-15.7%
Off-road vehicles	-13.8%
Overall Vehicle Premium Revenue Change	0.0%

Experience-based adjustments vary by vehicle within a range from -15% to +15%, taking into account claims history based upon insurance use, territory, and type of vehicle. For those vehicle premiums that do not currently cover the expected full cost of insurance benefits and coverage, those owners will face experience adjustment charges which, incidentally are capped at 15%. The Board approved all experienced-based adjustments as applied for by the Corporation.

Another component affecting the requested premium changes is the continued implementation of the Canadian Loss Experience Automobile Rating system ("CLEAR") for passenger vehicles and light trucks and the rate line or rate group differentials to establish premiums for each rate group reflective of their experience. The Corporation proposed a multi-year phase-in of this aspect of CLEAR, on a revenue neutral basis, and capped rate line differential dislocations for an individual vehicle level at 10%. The impact on vehicle premiums of these changes is reflected as follows:

CLEAR Impact	Number of Vehicles	Percent of Vehicles
Premium decreases	221,000	28%
No change	186,000	23%
Premium increases*	394,000	49%
	801,000	100%

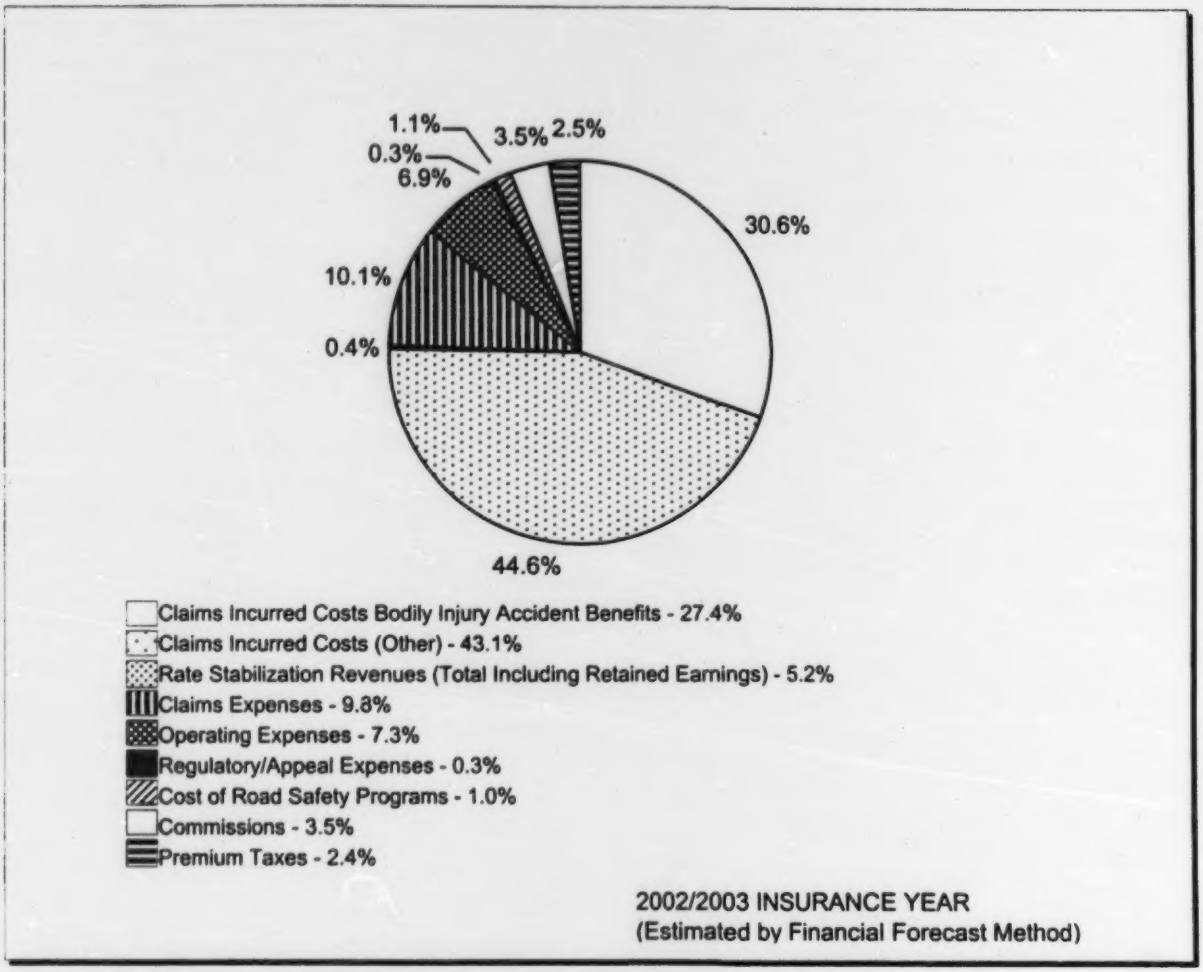
*For vehicles with premium increases, 364,000 will have increases of $50 or less.

The Board also accepted the Corporation's requested changes in the definition of a farm passenger vehicle category, and the merger of the former farming all-purpose passenger vehicle category with the all-purpose passenger vehicle category. The Board also accepted the Corporation's position that U-Drive cars and trucks should remain in the public Major Classification rather than either the private passenger or commercial Major Classification.

The Board noted that motorcycle premiums continue to increase by 15%, as they have over the last number of years. The Board also noted that the loss experience of motorcyclists, as a class, according to the system in use in Manitoba, indicates a required premium increase of over 33%. Motorcyclists are significantly impacted because of the relatively small pool of insured units in that class that are required to carry all losses charged to motorcyclists.

The Board encouraged the Corporation to study its internal claims review process to speed up the time required for the process to minimize hardship on claimants.

FIGURE 3

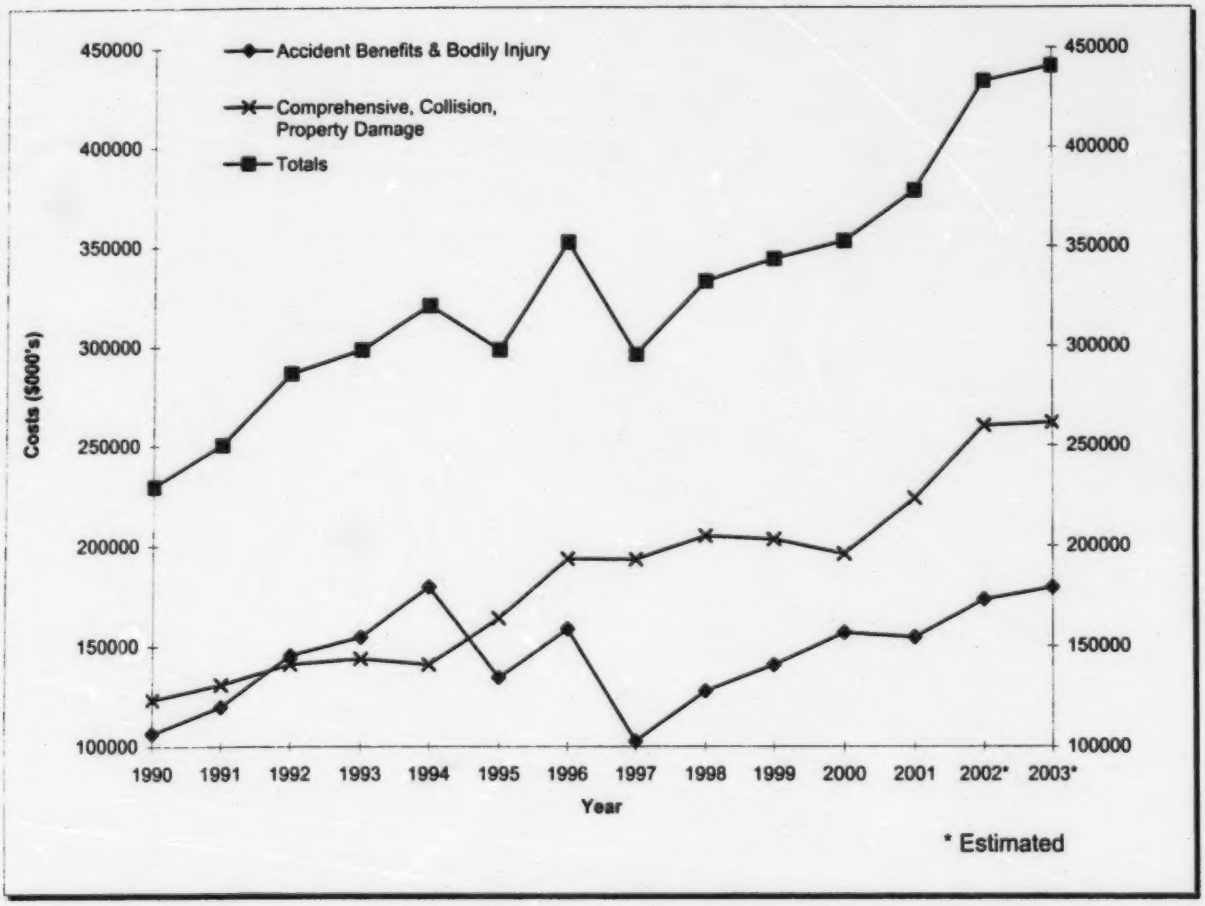


DISTRIBUTION OF NET REVENUES
BASIC DIVISION

Manitoba Public Insurance

Drivers' Premiums, Motor Vehicle Premiums, Investment Income less reinsurance ceded

FIGURE 4

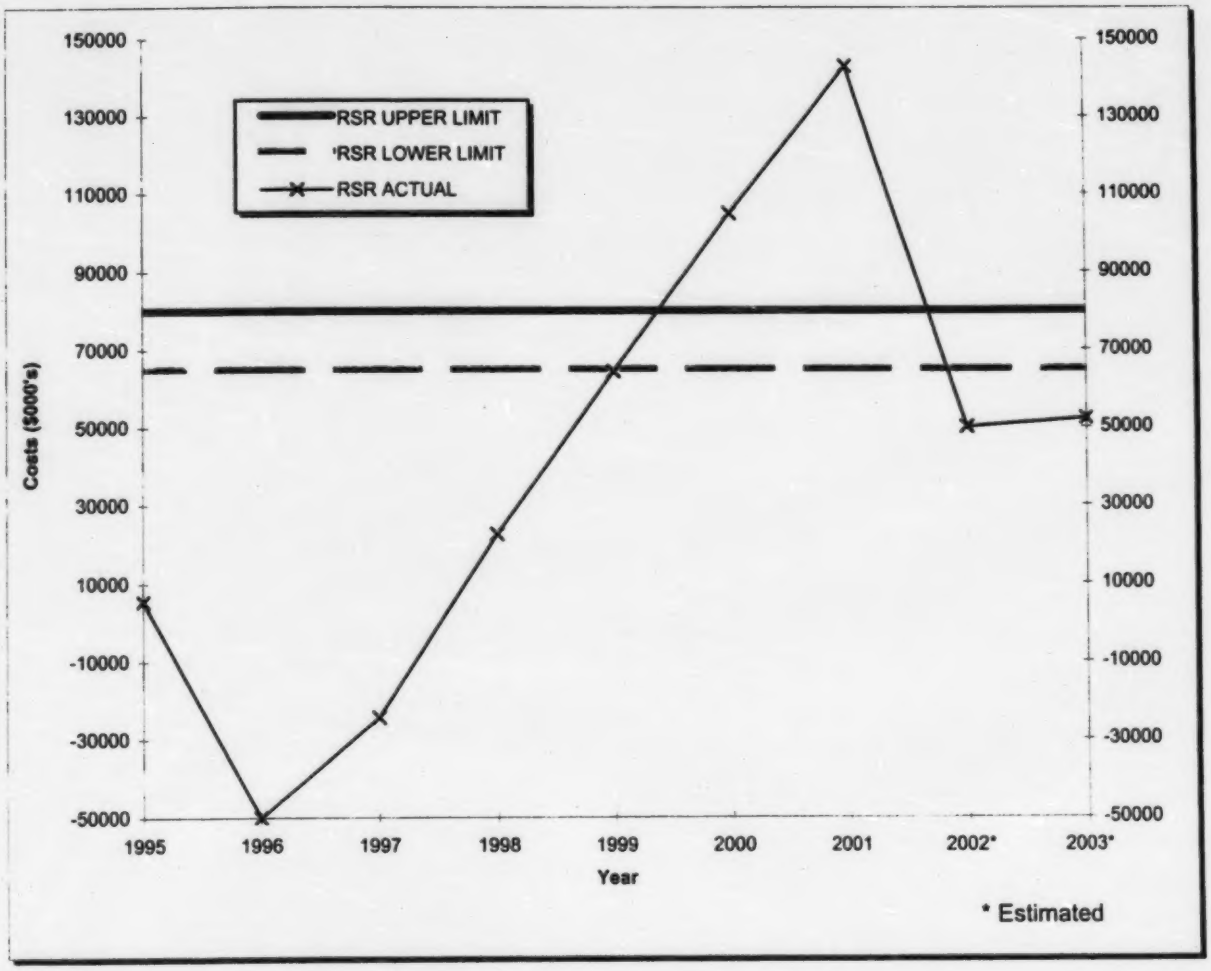


MANITOBA PUBLIC INSURANCE
CLAIMS INCURRED COSTS

BASIC DIVISION

Insurance Year Ending Feb. 28

FIGURE 5



MANITOBA PUBLIC INSURANCE
BASIC RATE STABILIZATION RESERVE

Upper RSR limit of $80,000 and Lower RSR limit of $65,000 as approved by PUB

Insurance Year Ending Feb. 28

THE MUNICIPAL ACT

WATER AND SEWER UTILITIES

The Board issued a total of 77 Orders respecting applications filed with the Board by local municipal authorities, as set out below:

(i) 49 Orders were issued respecting applications for approval and authorization for methods of recovery pertaining to operating deficits.

(ii) 27 applications for revisions, amendments to or establishment of rates were processed and Orders were issued authorizing same. Board guidelines which have been prepared and distributed to local authorities were applied wherever possible to assist with rate design and to ensure that sufficient revenue would be provided to cover normally anticipated operating expenses plus an adequate contingency allowance. Applications were handled by public hearing or returnable date notice. In all cases the municipalities and affected water and sewer customers were served appropriate notice.

The Board's staff assisted applicant municipalities and others contemplating changes and seeking guidance in the preparation of their applications thus reducing the cost to the municipalities in preparing a report. Board's staff met frequently with municipal representatives to ensure that applications were filed in the form prescribed by the Board, pursuant to statute. In most instances, these applications required the preparation of rate studies, and when necessary, public hearings were held in the applicant municipalities.

THE HIGHWAYS PROTECTION ACT

Pursuant to Section 21 of The Highways Protection Act the Board is the appeal body to decisions of The Highway Traffic Board respecting applications for permits for the change in use of an access driveway, the relocation of an access driveway, or the construction of an access driveway onto a Limited Access Highway (LAH) and also, the building of structures within the control limits of LAH.

The Board conducted one hearing in 2001 respecting farm access to Provincial Trunk Highway (PTH) No. 10 in the Rural Municipality of Cornwallis. The Board quashed the decision of the Highway Traffic Board and denied the access to PTH No. 10 at the location.

THE PREARRANGED FUNERAL SERVICES ACT

Pursuant to The Prearranged Funeral Services Act, the Board is responsible for licensing companies selling prearranged funeral plans and for reviewing the operations of these firms as to conformity with statutory requirements.

In 2001, the Board issued 22 renewal licences and 3 initial licences. Fifteen applications for revisions in fees for services were acknowledged.

The Board continued to review and monitor the annual reports filed by the licensees and their trustees in respect of the prearranged funeral plans being sold and the contracted funds maintained in trust.

THE CEMETERIES ACT

Pursuant to Part III of The Cemeteries Act, the Board reviews applications and issues licences to the owners of cemeteries, columbariums and mausoleums that are owned and operated for gain and if not owned and operated for gain, where more than 15 sales of plots occur in any year. Cemeteries related to religious denominations or owned by municipalities are not required to be licensed by the Board.

Pursuant to Part II of the Act, the Board approves the plans of and issues licences for the operation of crematories.

During the year the Board issued renewal licences for the operation of 11 cemeteries, 29 columbariums, 5 mausoleums, 15 crematories and initial licenses for the operation of 2 columbariums.

65 licences and 2 transfer licences to sell cemetery services were issued either to owners or to their sales personnel. In addition, 19 applications for revisions in schedules of fees for spaces, materials and services were authorized.

The Board continues to monitor the licensee's compliance for the passing of accounts in respect of perpetual care funds collected and deposited in trust funds with authorized trustees pursuant to The Cemeteries Act.

FINANCIAL INFORMATION

REVENUES/EXPENDITURES

The financial affairs of the Board are conducted through the Estimates of the Department of Consumer and Corporate Affairs. Accordingly, the expenses of the Board are paid out of the Consolidated Fund and then these expenses are recovered from the regulated industries.

For the fiscal year ending March 31, 2001 the Board's expenditures and revenues were as follows:

Revenues		$1,314,814.48
Expenditures		
Rate regulation and safety related costs	$580,125.97	
Salaries and Per Diems	$490,141.83	
		$1,070,267.80
Difference		$ 244,546.68

Order No. 38/89 sets out the means by which the Board recovers its expenditures relating to proceedings before the Board. Order No. 2/94 together with Order-in-Council 142/1994 provide for the Board to recover costs including administration and salaries from the major regulated industries including Manitoba Public Insurance, Manitoba Hydro, Centra Gas Manitoba Inc. and Stittco Utilities Man Ltd.

INTERVENER FUNDING

Pursuant to The Public Utilities Board Act and Order No. 163/87, the Board may award costs to parties making an intervention in matters before the Board. These costs are paid directly by the applicant entity and, therefore, do not form part of the expenditures of the Board. Details of awards in the calendar year 2001 are as follows:

	Applied for	Granted
Manitoba Public Insurance		
2001 Insurance Rates		
CAC/MSOS[1]	$ 53,933.94	$ 53,933.94
CMMG[2]	$ 12,988.26	$ 12,988.26
Centra Gas Manitoba Inc.		
Primary Gas Sales Rates Effective February 1/01		
CAC/MSOS	$ 7,000.93	$ 7,000.93
Supplemental Gas & Transportation (to Centra) Rates		
CAC/MSOS	$267,605.07	$257,605.07
Primary Gas Rate Change & Deferred Gas Recovery Rider Effective June 1, 2001		
CAC/MSOS	$101,360.57	$ 93,083.16
Municipal Gas	$ 36,801.67	$ 9,200.00
Primary Gas Sales Rates Effective August 1, 2001		
CAC/MSOS	$ 4,241.76	$ 4,241.76
Further Award re Application for Approval Of Primary Gas Rate Change & Deferred Gas Recovery Rider Effective June 1, 2001		
CAC/MSOS	$ 565.08	$ 565.08
Primary Gas Sales Rates Effective November 1, 2001		
CAC/MSOS	$ 3,331.64	$ 3,331.64

[1]Consumers' Association of Canada (Manitoba) Inc./Manitoba Society of Seniors
[2]Coalition of Manitoba Motorcycle Groups Inc.